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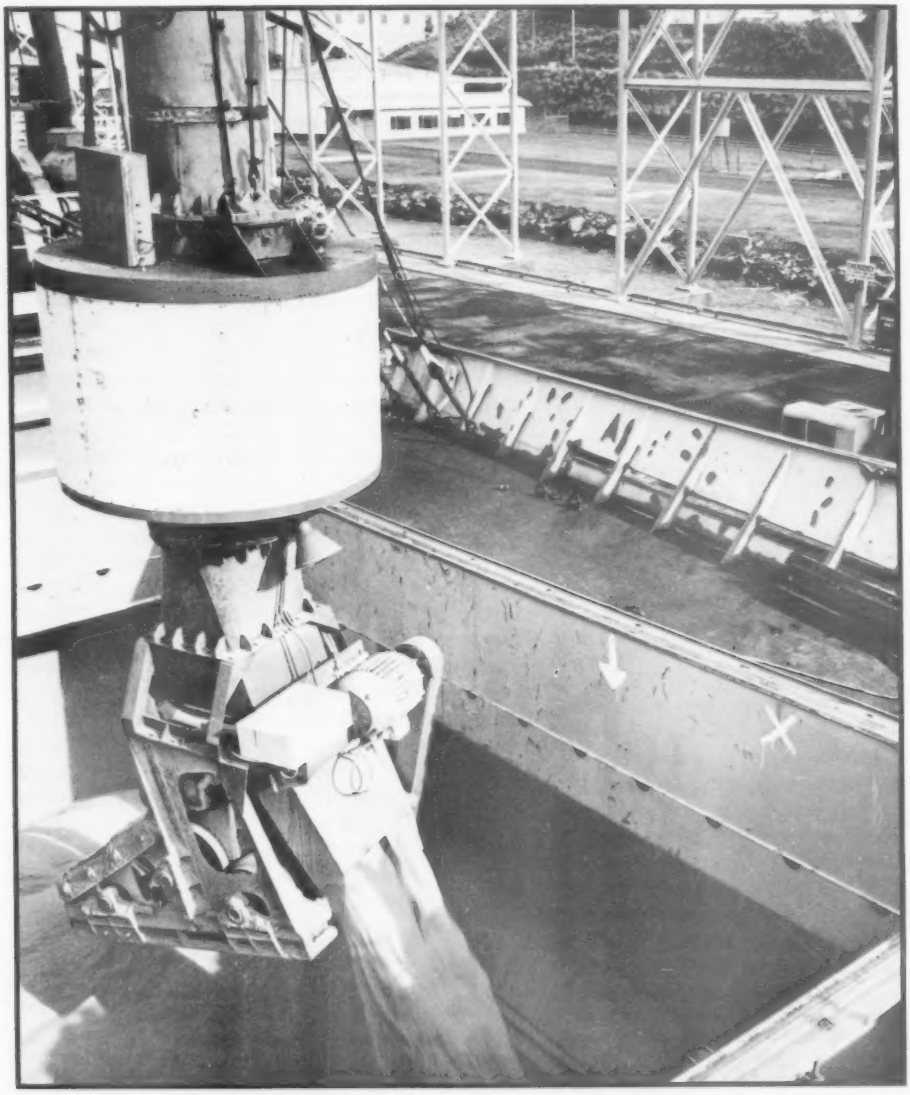

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Loading raw sugar for export aboard ship at a Queensland, Australia, port.

Glut of Japanese Rice May Cut U.S. Wheat Exports

By William T. Coyle

Because of an oversupply of domestic rice, Japan must either curtail domestic production and/or stimulate consumption—courses that could result in lower Japanese wheat and feedgrain imports. The Paddy Land Use Reorganization Program will make a concerted effort to divert rice area to other crops, using such devices as payments for area diverted, additional payments for group planned diversion, and incentives for doublecropping specified crops on paddy land.

The volume of U.S. wheat and feedgrain exports to Japan could suffer a setback in 1978/79, depending on the course of Japanese agricultural policy on rice. Faced with an oversupply of domestic rice, Japan has sought to curtail rice production, increase the use of rice in feed formulas, and/or stimulate consumption—which could result in lower Japanese wheat and feedgrain imports.

Japan will continue to be a substantial market for U.S. wheat in the years to come, taking more than 3 million metric tons annually. Pricing policies of the Japanese Food Agency, however, will affect the growth of this market.

Although the Food Agency has not increased the resale prices of wheat and rice in 1978, a hypothetical 10 percent increase in the resale price of wheat, holding income levels and the resale price of rice at last year's level, could reduce total wheat consumption by 3-4 percent.

This would translate into a total reduction in consumption of about 200,000 tons annually. Since Japan imports about 96 percent of its needs, wheat imports would fall by about 200,000 tons, depending on the size of the Japanese wheat crop. The U.S. share in that reduction would be slightly more than 100,000 tons.

As of early October, the Japanese Government was expecting rice stocks to reach 6.5 million metric tons (milled basis) by the end of 1978, some 4 million tons above the desired level. This was some 1.3 million tons more than the previous estimate and the result of lower per capita consumption of rice and high production.

The Paddy Land Use Reorganization Program—initiated in Japan fiscal year (JFY) 1978—will make a concerted effort to divert rice area to other designated crops. The incentives for this diversion are substantial and include a payment based on area diverted, additional payments for group planned diversion, and a small incentive for doublecropping specified crops on paddy land.

The outcome of this program is uncertain at this point. Although past efforts to divert rice area have not been very successful because of the overall appeal of rice production, the incentives in the current program make production of targeted crops relatively more profitable than rice. According to Zenoh, the National Federation of Agricultural Cooperative Associations, Japanese wheat area as of February 1978 was up 27.6 percent to 109,000 hectares, compared with 86,000 hectares at the same time in 1977.

On the consumption side, if the Government pursues the kind of policy it has in recent years by adjusting the relative resale price of wheat and rice so as to make wheat products more costly to the consumer, wheat imports could stagnate in the next few years.

The Government could institute a surplus disposal program that would subsidize the use of rice in livestock feeding and subsidize rice exports. Although this program would be quite expensive (as much as $5-$10 billion over a 3-year period), it would probably reduce stocks faster than the relative pricing approach. Subsidizing the use of rice in feed production would be detrimental to the volume of corn imported.

Japan continues to be one of the most important single-country markets for U.S. wheat. During July 1977-June 1978, the United States exported 3.209 million tons of wheat, valued at $382.83 million to Japan. Except for during 1961, Japan has been among the four largest foreign markets for U.S. wheat in the past 30 years, with wheat exports to Japan as a share of total U.S. wheat exports averaging about 11 percent since 1950.

From the Japanese point of view, the U.S. share of total wheat imports has shown greater variation. The U.S. share of the import market fell from an average of 61 percent during 1950-54 to a low of 39 percent during 1960-64. Since that time, the U.S. share of the total has recovered to an average of 56 percent. Only during 1958-62 was the United States surpassed by Canada as the single most important supplier of Japanese imported wheat. The other major wheat supplier is Australia. Argentina occasionally supplies small amounts.

The growth of the Japanese wheat market and its importance to U.S. wheat producers and exporters has been closely tied to consumption and production trends in Japan, Japanese policy measures that have influenced these trends, and wheat production in other supplier countries.

The most important development to affect the overall level of Japanese

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wheat imports has been the dramatic growth in the consumption of wheat products since World War II. The Japanese were exposed to the Western diet during the U.S. occupation (1945-52). A school lunch program was instituted in 1946 to supplement the nutrition of children because of the general shortage of food after the war.

The program continues today, with 14 million students participating. Although per student consumption has fallen off in recent years, total consumption of wheat products under the school lunch program continues to rise, accounting for over 250,000 tons of wheat a year. More important is the impact of the program on the tastes and preferences of the children as they grow into adulthood.

Dramatic increases in real household income since World War II has also had an important impact on the Japanese diet. The Japanese have shifted away from starchy foods such as rice, potatoes, and cereals to greater consumption of fruits, vegetables, meats, fish, and fats and oils.

Per capita consumption of wheat flour has also risen steadily, which is somewhat of an anomaly considering the general tendency to consume less cereal. However, it must be noted that wheat is a superior source of protein compared with other cereals and provides as much, if not more, calories per gram than barley, rice or potatoes.

Of all wheat products, bread has grown the most in relative importance in the Japanese diet, becoming an important rice substitute.

In the prewar period, noodles were the dominant wheat product in the Japanese diet. They were, however, considered an inferior substitute for rice. During the postwar period, bread was introduced on a massive scale and subsequently became as important in the Japanese diet as noodles.

Average annual consumption of bread in urban areas is now about 9.5 kilograms per capita, equivalent to the consumption level for noodles. Rural residents, however, still prefer noodles. About 70 percent of all Japanese flour production goes into the manufacture of bread and noodles.

The shift in consumer tastes away from the traditional rice to various wheat products has been viewed with some concern by policymakers in Japan. The agricultural economy of the country continues to depend heavily on rice production. About 38 percent of agricultural receipts are from the sale of rice, by far the single most important agricultural commodity to the Japanese farmer. Receipts from the sale of wheat and barley, on the other hand, represent less than 1 percent of total farm receipts.

Consumption trends in Japan have been favoring increased per capita consumption of wheat products and decreased per capita consumption of rice. If the consumption pattern continues as it has, Japan will become increasingly dependent on imported wheat, while domestic rice producers will continue to lose ground in the domestic market.

Since the passage of the Food Control Law in 1942, the purchase and sale of domestic and imported wheat and rice have been controlled by the Food Agency, an arm of the Japanese Ministry of Agriculture and Forestry. Control of wheat sales is carried out through quotas extend-

From top: Rice growing in Japan; Workers hanging harvested rice on frames for drying; Unloading grain at Yokohama, one of the world's busiest ports; Japan's per capita rice consumption has been declining, as that of wheat has been rising.

ed to licensed traders and by setting the resale price (wholesale price) faced by flour millers. By controlling the price of wheat (and its supply), as well as the price of rice, the Food Agency is in a position to influence the consumer's choice between wheat products and rice.

Until recently, the price-setting role of the Food Agency had been used to alter the trends in wheat and rice consumption. During 1960-72, the resale price of wheat remained steady and actually declined somewhat reflecting steady world prices. The resale price of rice, on the other hand, was increased annually since it was tied to the agricultural parity index which moved upward with inflation. The pricing of wheat and rice during this time favored the consumption of wheat. Even with the substantial processing and marketing costs of wheat products, the ratio of the retail prices of wheat to rice declined steadily during 1955-73.

In December 1973, following large jumps in world wheat prices, the resale price of wheat was increased 35 percent. However, sharp as it was, this rise was not enough to cover the purchase price, storage, and handling costs.

In an effort to moderate the impact of world prices on household expenditures, the Food Agency subsidized wheat consumption through 1975 and into the early part of 1976. World wheat prices turned down in 1975, but the Food Agency did not make a corresponding adjustment in its resale price of wheat.

When wheat prices were falling in 1976, the Government increased the resale price on two different occasions—in January by 20 percent and in July by 16.4 percent. The price ratio of wheat flour to milled rice increased sharply in 1974 and declined thereafter, but was still above the 1973 ratio by the end of 1977. The Government is now making a substantial profit —more than $300 million in JFY 1977 (April 1, 1977 to March 31, 1978)—on the purchase and sale of wheat.

The use of wheat for feed is another component of Japanese demand.

As a feed, wheat is either used in its whole form or milled into a bran. The use of whole wheat has certain limitations—because of its high starch content and high density, it cannot be used as a primary constituent in formula feed.

Over the years, the use of whole wheat in rations has been of relatively minor importance in Japanese livestock feeding, reaching a high of 136,000 tons in 1970, mostly of Australian standard white and off-grade.

Wheat bran has been more important in feed use. In 1958, the Government initiated the Zosan program to produce and promote the use of wheat bran in livestock feeding. Special mills were designated to produce the bran, which requires a lower flour milling yield (40-45 percent) than normally used for milling flour (78 percent).

The amount of wheat designated for this program has been fairly stable over the past 7 years, ranging between 1.1 and 1.2 million tons. Depending on the milling rate, wheat bran production has been 500,-000-600,000 tons a year, with the flour byproduct sold or used in the manufacture of various wheat products for human consumption.

Wheat bran as a percentage of total formula feed production has declined from 3.3 percent in 1970 to 2.6 percent in 1977. Whole wheat use since 1970 has been of even lesser significance in formula feed production. The pricing of these feed constituents by the Government will largely determine their relative importance in the years to come.

Domestic production of wheat has also affected the level of Japan's wheat imports. Official policy has been directed toward encouraging wheat production in recent years. Domestic wheat production peaked during the early 1960's, then declined as the area devoted to its cultivation fell. In 1960, domestic wheat production represented 37 percent of total consumption. But currently, Japan produces scarcely 4 percent of its total needs.

The decline in wheat production is the result of several factors. Rice production has been and continues to be a more profitable enterprise to the Japanese farmer than wheat production. During 1960-76, the Government's purchase price of rice was increased fourfold, while that of wheat was increased only threefold.

The profitable cultivation of wheat requires comparatively more land than rice in a country where farmland is very expensive. Finally, wheat is generally planted after rice, which involves work in the offseason, when Japanese farmers find off-farm employment more attractive.

The Government has tried to encourage greater production of wheat, as well as barley, soybeans, rapeseed, and forage, in order to reduce its dependence on imports and divert land out of rice production.

Since 1974/75, the Government has added additional production incentives to its purchase price including a direct subsidy to producers for the production of wheat on harvested paddy fields. According to Japanese production goals, wheat production should increase to 553,000 tons by 1985/86, more than twice the 1977 level of 236,000 tons.

Wheat production in other supplier countries also affects the U.S. share of Japan's wheat market. In the past 7 years, Canada has maintained a very stable share—averaging about 25 percent—of total Japanese wheat imports.

Australia's share, on the other hand, has fluctuated quite sharply, with the U.S. share rising or falling to make up the difference.

Worldwide shortfalls in grain production and Soviet purchases of large quantities of wheat and other grains led Japan to seek bilateral arrangements with supplier countries in an effort to stabilize its supply of wheat.

In the Butz-Abe understanding of 1975, the United States agreed to supply Japan with a minimum of 3 million tons of wheat, 3 million tons of soybeans, and 8 million tons of feedgrains annually for 3 years. There have also been arrangements between the Food Agency and the Canadian and Australian Wheat Boards in recent years. Such arrangements have introduced a certain obligation on the part of the buyer and the seller with the hope of assuring a stable trade pattern. □

A report by the Japanese Flour Millers Association, "Japanese Wheat Import and Pricing Policies," may be obtained by writing the Developed Countries Program Area; Economics, Statistics, and Cooperatives Service; USDA, Room 324, 500 12th Street, S.W., Washington, D.C. 20250.

Australian Program To Boost Exports

By Harlan J. Dirks

Australia's new six-point export incentive program—parts of which are now being considered by the Parliament—is designed to reestablish a scheme of cash grants, improve existing market development programs, and generally strengthen existing Government export-assistance activities.

Legislation before the Parliament in late August would boost export incentive by the equivalent of $82.5 million[1] a year, mainly to encourage the export of manufactured goods and beef.

The main thrust of the six-point package is to restore the Export Incentive Grant Scheme (EIGS), which was dismantled by the former Labor Government. Other elements of the package will have little immediate impact on Government spending.

The major initiatives announced by the Federal Government in April were:

- Restoration of the EIGS at an estimated cost of $76.6 million a year to make direct payments to exporters who increase their overseas shipments over base-period levels.
- Maintaining and developing the present Export Market Development Grant Scheme (EMDGS) at an estimated cost of about $39 million a year—an increase of about $4.6 million a year—to help cover export promotion costs.
- Strengthening Australia's Trade Commission representation in the Middle East, the United States, Latin America, Asia, and the Pacific. With a promotion campaign, these activities will cost the equivalent of $2.3 million-$3.4 million a year.
- Almost doubling the amount the Export Finance and Insurance Corporation (EFIC) can lend to subsidize interest rates for exporters of capital goods and services, plus EFIC facilities for covering export performance guarantees.

The amount available is to rise from about $20 million to about $34 million. But because loans are spread over 8-10 years this boost will give no help in 1978/79, about $1.1 million in 1979/80, and about $2.3 million-$2.8 million a year thereafter.

- Expanding export promotion activities, especially for beef.
- Working with Australian companies to help increase Australia's technological contributions to the world.

The new EIGS will provide for direct payment of taxable cash grants, which are to be calculated on formula applied to the increase in exports in the grant year over average annual exports in the 3 preceding years.

Provision will be made for varying the base period relating to particular sectors to take account of special situations. The formula, which will be cumulative and regressive, will provide that increase in exports of up to $523,000 will attract a grant rate of 17 U.S. cents per dollar, and that as exports go beyond $523,000 the increases will be based on lower rates.

How the formula works: For increases up to $523,000, the grant rate is the equivalent of 17 U.S. cents per dollar; increases from $523,000 to $5.7 million, 11 U.S. cents, increases of $5.7 million-$11.4 million, 6 U.S. cents; and increases above $11.4 million, 2.8 U.S. cents per dollar. (The scale of grants has been changed from the one announced earlier.)

The new scheme is to cover exports of manufactured goods, some bulk farm and agricultural products, services provided overseas, value-added industrial services provided in Australia performed on imported goods subsequently exported, and the sale of industrial property rights and technical know-how that are of substan-

Grass-fed Australian Herefords returning from the highlands of northeastern Victoria—before snow covers the high grazing lands—to winter in lower altitudes.

[1] *Converted at US$1=A$1.146. All dollar amounts are U.S. dollars.*

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Export Incentives: The Rationale

"... It is now up to exporters, particularly in the manufacturing industry, to accept the challenge offered by the Government, make full use of the facilities and incentives being offered, and gear themselves for a period of renewed export development. It is only in this manner—Government and industry in partnership—that Australia's economic recovery can be accelerated and in this regard the Government has given a strong commitment to a major export thrust to facilitate meeting this objective as quickly as possible."—*Australian Deputy Prime Minister for Trade and Resources J.D. Anthony.*

tially Australian origin.

The new scheme is designed to provide incentives to those export sectors that will be more responsive to such incentives and to distribute the funds available equitably as between small and large exporters. Specific exclusions are minerals, wool, wheat, sugar, livestock, and meat sold under quota to the United States and Canada.

The scheme's effective date is July 1, 1977, with the first grants payable in 1978/79. Grants thus will be based on the increase in exports during 1977/78 over the average of the 3 years 1974/75, 1975/76, and 1976/77.

The changes in the present EMDGS are designed to improve its operation and simplify administration. The main changes are:

- A single rate of grant of 70 percent of eligible expenditure for all claimants in place of the present dual rates.
- Removal of the provision that limits grant payments to 10 percent of eligible export earnings.
- Removal of the limitation applying to groups of corporations.
- Extension of the scheme to include value-added services in Australia.
- Provision will be made for the Administrative Appeals Tribunal to review decisions taken by the Export Development Grants in relation to claims under the scheme.

Amendments to the present EMDG scheme became effective July 1 and will be reflected in grants payable to firms in 1979/80. However, as the proposed elimination of the dual-grant rate would affect the benefits currently available with respect to promotions sponsored by the Government, a period of grace will be given at the 85 percent rate for those promotions that have already received Government sponsorship and which take place—or are intended to take place—on or before December 31.

On the same day, the Industries Assistance Commission (IAC) released its report on export incentives to the Government.

The Government accepted all the IAC recommendations on EMDG. The IAC warned the Government that rationalization and structural reform were more essential to the development of export markets than export incentives. The main IAC recommendations were:

- The EMDG Scheme should continue for 5 years, using the same modifications as specified earlier in the Government report.
- The capital-goods export finance facility of the Export Finance and Insurance Corporation should continue.

Exports of wool, wheat, sugar, and livestock are specifically excluded from the new scheme, as well as meat sold to the United States and Canada under quota. However, exports of meat to Japan and the European Community under quota are eligible for payments.

The Government originally had decided to include meat sold to the United States and Canada in the new scheme, but later decided against it because of the way the quotas are allocated. In the United States and Canada quotas are allocated on a Government-to-Government basis; Japanese and EC quotas are allocated on a global basis, forcing exporters to fight for their shares of the market.

The main thrust of the beef export promotion will be directed toward sales to Japan, Europe, the USSR, and Middle East. □

Mexico's Coffee Output May Not Keep Pace With Official Goals

By James P. O'Mara

Despite Mexico's official goal of sizable advances in coffee production over the next 5 years and the somewhat brighter price outlook resulting from reports of freezing temperatures in Brazil's coffee producing regions, Mexico's coffee outturns are expected to remain within 10-15 percent of present levels.

The cyclical nature of coffee production and the present depressed state of world coffee consumption are major factors tending to dampen any substantial expansion of the industry during the next several years.

The 1977/78 Mexican coffee crop is estimated at 3.75 million bags (60 kg each) and the 1978/79 crop at 3.8 million bags.

The Mexican Coffee Institute (INMECAFE) had been making 4-5 year projections for significant increases in coffee production, with an anticipated goal of 7 million bags for the 1981/82 year.

The projections were based primarily on continued profitability from coffee production through maintenance of remunerative prices and on extensive replanting of higher yielding, disease-resistant varieties. This replanting would also be coupled with greater application of production inputs, such as fertilizer, weed control, pruning, fungicides, and insecticides.

However, given the time needed to expand coffee production from increased plantings—a minimum of 2.5 years—production decisions involve a great degree of risk for the producer.

Because of the additional costs inherent in such increased output, most producer sources doubt that Mexican coffee will reach such a level for 1981/82.

While export prices during most of 1977 were at a level that encouraged larger production, the continued price decline during late 1977 and into the first half of 1978 has dampened future price expectations.

Notwithstanding the apparent moderate frost damage to coffee trees in Brazil in mid-August of this year, the possibility of larger world production in the next 2 years is also expected to apply downward pressure on prices.

While the Brazilian freeze may exert short-term upward pressure on coffee prices, the significant reduction in coffee consumption in major consuming countries has not evaded the concern of producing countries.

On the other hand, the threat of coffee rust will encourage tree replacement

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with newer, rust-resistant varieties. Should rust enter Mexico, the entire coffee picture could change significantly.

The role of INMECAFE in the Mexican coffee sector has been an increasing one in recent years. INMECAFE originated from the National Coffee Commission established in 1950. Although it progressively obtained broader marketing authority through the years, it was under the Echeverría administration that INMECAFE's role was extended to include that of a significant buyer of coffee in the domestic market. It also expanded its coffee exports.

In order to extend its market share of domestic coffee buying and to maintain a floor price to producers, INMECAFE established minimum prices during the harvest season. At certain times, such as in 1976, these prices were above the national average producer prices, resulting in INMECAFE holding and increasing its export share of coffee from the normal level.

During 1977, the minimum (official) price constantly was being revised because of the frequent fluctuation in the coffee export price. Since the beginning of 1978, INMECAFE has fixed official producer prices on the basis of the previous weekly average of the New York price.

Aside from its encroaching marketing authority, INMECAFE has expanded its technical assistance and research. At the main research station, Garnica, classes are taught in production, disease prevention, and coffee milling. The station maintains a soils laboratory, a library, and 15 experimental hectares.

Las Animas, the largest coffee beneficio or coffee mill in Latin America, is also located at the site, and serves as a reception center for neighboring producers who sell their coffee to INMECAFE or to the Institute. It also serves as an educational forum for coffee milling.

At present, INMECAFE carries out research in five basic areas: Spacing of trees, fertilizer efficiency, insect stress, yield performance from various varieties, and resistance to coffee rust.

Numerous other types of research are conducted by the Institute at Garnica, such as performance under different pruning techniques, variation in shading, weed tolerance, moisture, and dryness. However, the five earlier mentioned areas are of primary importance, especially those dealing with resistance to coffee rust.

The Institute maintains contact with the Portuguese Research Station, where new findings regarding coffee rust prevention and eradication can be obtained.

Two coffee tree varieties reported to be strongly resistant to rust are SL-9 (S.L. Scott Laboratories) and S. Kaffa 12. The Institute is alloting much of its present research funding and manpower to replication of these two African varieties with those that are native to Mexico in order to test the results on yield, insect infestation, and other stresses.

The Institute has expanded its extension system of technical specialists as a result of the threat of coffee rust. Trained entomologists and agronomists visit producers on a regular basis in the major coffee-producing areas, particularly in the State of Chiapas, which borders on Guatemala. These extension specialists advise small producers on various cultivation practices, but also instruct on how to recognize coffee rust and what to do once it is detected.

The Institute has a predesigned program prepared that includes eradication and spraying, which is ready to be put into effect upon the first sign of rust. In addition to the information provided by extension agents, pamphlets that explain how to look for and recognize rust have been published and distributed by INMECAFE.

Should coffee rust enter Mexico, production could decline drastically. The degree to which production would be affected would depend upon the extent of the spread of the fungus and the effectiveness of control measures.

The 1976/77 year was a good one for Mexico and for coffee-producing countries in general. Prices maintained a consistent rise up until the second quarter of 1977.

What dismayed many producing interests, and those of Mexico as well, were the rapid decline in price and the persistent reductions into the winter months of 1977 and 1978.

Mexico was fortunate in having obtained a relatively good crop for 1976/77, even though it was 12 percent below the high level of 1975/76 of 4.2 million bags. Exports in 1976/77 were 2.5 million bags, much smaller than the 1975/76 level, but larger than they would have been as a result of the high prices existing during 1976/77.

Much has been made over the past 6 months of the amount of coffee that left Mexico without paying the export tax duty. The duty rate after January 1, 1977 was a progressive one, varying with price. Because of the high tax rate, contraband shipments are assumed to have been sizable during the year, but no concrete estimates have been forthcoming. Estimates range from 200,000 to 500,000 bags for the 1976/77 year.

Since the new year beginning October 1977, Mexican coffee policy has been characterized by attempts to strengthen price by withholding coffee from the market. Two attempts have been made—one after a meeting in El Salvador on October 21, 1976, when Mexico withdrew from the export market for approximately 4 weeks and later at a meeting of Other Milds producers on March 9-10, 1978.

During March-June 1978 coffee left Mexico somewhat sporadically. Since the upturns in price in July and August following news of the freeze in Brazil, exports have been renewed.

INMECAFE recently reported that the 1977/78 crop will be lower than last year's crop and not likely to exceed 3.5 million bags.

However, the dry weather during the growing stage of the beans was intermittent, with little impact expected on production. Also, producers have generally improved production practices as a result of the increased attention given to coffee stemming from improved prices during 1977.

Coffee production in Mexico dates back to the early 1800's. Until recently, the vast majority of all Mexican coffee trees were from original seed stock of either Arabica or Bourbon type. Currently, coffee trees of the Caturra and Mundo Novo varieties can be found in Mexico, but in much smaller numbers. Reportedly, better than 60 percent of the trees currently in production are over 40 years of age. □

Chile Is Best Prospect As U.S. Poultry Market In Five Latin Nations

By William J. Mills

Economic recovery and easing import policies have raised Chile's potential as an import market for U.S. poultry and poultry products.

Indeed, despite its relatively meager takings from the United States so far, Chile is by far the most promising of five Latin American markets surveyed this spring. To tap the market, U.S. poultry product exporters are expected to participate in an Attaché Food Display to be sponsored by the Foreign Agricultural Service in Santiago during fiscal 1979.

The other four nations—Peru, Uruguay, Paraguay, and Argentina—for the most part still have low per capita consumption levels for poultry but discourage imports by means of prohibitive trade restrictions. Moreover, Argentina, Peru, and Uruguay export poultry products in competition with the United States and with the benefit of Government export subsidies.

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In **Chile,** prospects are brightening as the economy continues to recover from the severe recession of 1972-74. Inflation has plummeted from an annual rate of 175 percent in 1976 to an estimated 30 percent this year, and foreign exchange reserves are ample enough to allow import expansion.

As a result, the Government has introduced a number of measures to revitalize the economy further and encourage trade, including:

- Reduction of income and employer taxes;
- Additional Central Bank credits for exporters and investors;
- Fewer restrictions on bank lending; and
- Reduced import duties.

The Government is committed to changing a once highly protected economy into a freer market, with a maximum of competition. Among steps in this direction is the prospective reduction of import duties on poultry and egg products to 10 percent ad valorem on June 1, 1979, from about 14 percent now prevailing.

The Government also has authorized establishment of free zones and customs-free storage areas, with imports into these areas to be charged only 3 percent ad valorem and exempted from the 20-percent value-added tax. The free zones and storage areas that will be operational in 1979 are at Arica, Antofagasta, Coquimbo, Santiago, Valparaiso, Talcahuano, Valdivia, Puerto Montt, Castro, and Coyhaique.

These changes should help push U.S. exports of poultry and products to Chile above the $500,000 worth shipped in 1977, when baby breeder chicks ranked as the largest of such exports. Other items in that trade were whole turkeys, whole fowl, dried eggs, and chicken parts.

Chilean traders have shown especially strong interest in canned poultry products, turkey, and further processed products. Given this interest and easing trade policies, U.S. exports should increase once trade contacts are made and quality U.S. frozen poultry meat and egg products become available on the local market.

However, the United States also faces considerable competition in the market from Argentina, Brazil, and Peru, which use export subsidies to enhance their trade.

Currently, the Chilean Department of Agriculture has two import requirements—that all products be wholesome and that production and shelf life dates be included on the product label. The National Health Service inspects all food imports on arrival, and the Department of Agriculture requires tests that take about 7 days to perform. Test results are generally available after 25 days for canned products and 15 days for frozen products.

After the products become established in the market, and familiar to inspectors, this process should speed up, with products moving into distribution without undue delay.

Chile's port of Valparaiso can handle 20-ton container shipments. Refrigeration facilities are available, although still in limited supply, and the cost of cold storage is reported to be high. Another problem is the large number of importers—some 1,500 in all and mostly small operators.

Retail prices in Santiago during late April, included: Whole, fresh broilers, 79 cents per pound; chicken breasts, $1.15; legs, $1.09; wings, 76 cents; soup packs (backs and necks), 62 cents; and gizzards, $1.15. Roast beef was available at $1.76 per pound.

While still a net importer of poultry products, Chile is reportedly making progress in expanding domestic production following a sharp falloff during the political and economic crises of the Allende period. Prior to that decline, poultry meat output had risen some 280 percent between 1965 and 1972 from 23,777 metric tons to 66,339.

Currently, poultry meat production amounts to about 52,000 tons a year, or only 11 pounds per capita, compared with U.S. per capita consumption of 54 pounds. Most of this output is chicken meat, with turkey meat production still minimal.

The domestic egg industry is quite efficient, with a reported rate of lay of over 200 eggs per hen. However, egg consumption is estimated to be relatively low at less than 100 eggs per capita, against 272 in the United States.

Among the four other countries, U.S. export opportunities are limited, largely because of restrictive Government import policies.

Argentina has prohibitive

tariff and nontariff barriers against imports of poultry meat, shell eggs for consumption, and their products. The current duties range from 70 percent to 120 percent ad valorem. In addition, Argentina does not permit the import of poultry products from the United States because of periodic outbreaks of viscerotropic velopenic Newcastle disease (VVND).

In addition to these tariff and nontariff barriers, importers must sign sworn statements countersigned by the Ministry of Economy that their imports are necessary for Argentina's development. Food products must be registered with the Secretariat of Public Health, with registration carried out by Argentine importers.

Domestic poultry meat production totaled about 191,000 tons during 1977, providing only about 16 pounds per capita, compared with 200 pounds per capita estimated for red meat. This strong preference for red meat is encouraged by domestic retail prices that are lower even than those for poultry meat.

As a result, Argentina in some years has poultry meat available for export, and the Government reportedly subsidizes such exports by using differential exchange rates. For example, where the official exchange rate is 700 pesos to the dollar, a poultry exporter might receive 800 pesos, for a 14 percent advantage vis-a-vis domestic sellers.

Recently, Argentina has shipped broilers to Chile at about 43 cents, f.o.b. port, as well as to the Middle East.

In the face of such restraints, the only noteworthy U.S. poultry sales to Argentina are hatching eggs and breeder chicks, which accounted for most of the $800,000 worth of U.S. poultry and products shipped there last year.

Should Argentina reduce its tariff and nontariff barriers—which seems unlikely—U.S. turkey and further processed products would stand the best chance of selling in the market.

Paraguay's basic import duty is not prohibitive. Frozen poultry meat products are admitted free, a small specific duty is charged for further processed products; and shell eggs for consumption and egg products are subject to a duty of 27.5 percent ad valorem. However, Paraguay has additional duties of 15 percent and complementary duties of 24 percent ad valorem, as well as several other fees.

The Government also requires that sanitary certificates be in Spanish and agricultural imports be authorized by the Vegetable Sanitation Section of the Ministry of Agriculture and Livestock—the latter requirement apparently being a major stumbling block.

Current imports by Paraguay reportedly are very small and come largely from Argentina and Brazil. The United States shipped only $18,000 worth of poultry and eggs to Paraguay in 1977—largely breeder chicks.

Low production and a per capita consumption level of only 4 pounds of poultry meat a year would seem to point to opportunities in this market. However, only small sales of further processed poultry meat and canned products appear possible, even if greater access is permitted.

Peru maintains high duties on poultry imports and prohibits imports of poultry meat and eggs. The only exceptions are hatching eggs, baby breeder chicks, and turkey poults, which come mainly from the United States, Canada, and the United Kingdom. U.S. exports of these items to Peru totaled $397,000 in 1977.

The country also exports chicks, poults, and hatching eggs to nearby countries and recently has begun shipping broiler meat to Chile and Venezuela. These sales are being made under a Government program of expanding nontraditional exports and are encouraged through foreign-exchange bonuses and an automatic exoneration of export duties. In the case of poultry meat, the resulting "incentive" amounts to 20 percent of the f.o.b. value, and another 10 percent is tacked on for producer-exporters located outside Lima.

Uruguay maintains restrictive specific and ad valorem duties on poultry and poultry product imports—for instance, 84 percent for fresh or chilled poultry meat and 114 percent for frozen poultry meat.

In the face of these barriers, Uruguay imports no poultry meat and only small quantities of egg products. U.S. poultry and product exports to Uruguay have been insignificant during the past 5 years and last year amounted to only $4,000 worth of dried eggs.

One of the biggest problems in marketing imported frozen products generally is the lack of refrigeration. The little that is available is given over largely to beef—far and away the preferred meat.

As in Paraguay, domestic poultry meat production is extremely small, totaling an estimated 6,000 tons per year or only about 4.3 pounds per capita.

Yet the country exports broiler meat and eggs, and the Government provides an export rebate of 23 percent on the f.o.b. value for broiler meat and 18 percent for eggs. □

EC, Israel Adopt Farm Agreement

The European Community and Israel have adopted an Agricultural Cooperation Agreement, according to a report from the Office of U.S. Agricultural Attaché, Tel Aviv. The agreement, approved by a joint committee on July 13, 1978, falls within Israel's general agreement with the EC.

Two main areas were expressly mentioned in the agreement, according to a press release by the Israeli Ministry of Agriculture. One concerns improvement of agrotechnical practices and development of farm production, involving systems of cattle production and range utilization in arid and semiarid areas; recycling, especially in livestock and fish production; irrigation; fodder production methods; and afforestation.

The other deals with agricultural development, and improvement of agricultural structure and marketing methods, covering extension services; integration methods for agricultural and regional development; standardization; and farm organization.

The agreement will be put into effect by encouraging exchange of information, meetings, and seminars to facilitate direct contact between specialists from both sides. The agreement is considered to be a preliminary understanding, with more subjects likely to be covered in the future. □

U.S. Food Sales Team In Latin America

"From there to here, I sold a container," said Stanley C. Jersey of Skokie, Ill., indicating the distance from the door to an hors d'oeuvres table at a reception in the Hilton Hotel in Curacao, Netherlands Antilles.

Jersey, director of the Food Products Division of a Skokie export management firm, was in Curacao last August as a member of a U.S. food products export sales team sponsored by USDA's Foreign Agricultural Service.

What he had sold was a container load of canned vegetables, which were among a variety of items in the sales team's bag of U.S. food products. The 10 members of the team represented 7 U.S. companies, with products that included pork, beef, poultry, cheese, juices, and canned food.

The vegetable sale had been made as Jersey greeted an importer at an FAS-sponsored reception for persons connected with the food trade in Curacao.

"Actually, it wasn't quite that easy," Jersey grinned, spearing a meatball from a chafing dish, "I had called on him earlier today, and he said he'd let me know at the reception this evening."

Curacao was the midpoint of a 7-day selling trip that took the team to the islands of Margarita, Curacao, and Aruba in the southern reaches of the Caribbean Sea.

By the time the team members folded their business cases and left Aruba for home bases in six States, they had collectively sold more than $1 million worth of U.S. food products. They had renewed old business contacts and made new ones; between them they had appointed 10 agents to represent their companies in the island markets and had replaced one agent whose performance was slipping.

It was a successful trip in terms of sales, and, even more important for future business, in terms of agents appointed to continue to sell U.S. food products, according to Edward C. Collins, team leader, and FAS trade development officer for the Caribbean region.

Sales teams, a direct selling approach to given markets, have become a regular activity in the FAS market development program since the first team went to Europe on a trial basis in 1973. Since then, the scope of activity has expanded to where 6 teams visited 12 countries in fiscal 1978.

Decisions on where to send teams and what products to feature are made on the basis of FAS surveys in foreign markets, and they are usually scheduled to follow a U.S. food products exhibit in the region to be visited by the team. The Caribbean team had been among 65 Americans participating in a U.S. food show in Venezuela the previous week.

Collins said the team approach gives the U.S. exporters a chance for one-on-one dealings that are less likely to occur at a trade fair, with its many competing food displays and hundreds of trade visitors.

"It's a rifle, rather than a shotgun approach to sales," he said.

Each sale team project is planned months before departure date, and participation is invited from among executives and sales personnel of U.S. companies. Team members pay their own expenses. FAS, working with the U.S. Agricultural Attaché in the target region, develops a list of business contacts for the team, arranges a reception at each stop to bring together the U.S. exporters and the local food trade, and provides a team leader to coordinate activities and assist the team as needed.

For the Caribbean project, Franklin D. Lee, stationed in Caracas as Assistant U.S. Agricultural Attaché in Venezuela and the Caribbean, traveled to Curacao and Aruba a month before the team was due. He contacted importers, ship chandlers, distributors, food and beverage managers of the many tourist hotels, and government officials having a role in the importation of food. He gave them information on the sales team members and their products, and invited each to the reception scheduled during the team's visit. U.S. Agricultural Attaché James E. Ross did the same at Margarita.

The result was a list of 29 names and addresses of business contacts in Curacao, 32 in Aruba, and 12 in Margarita.

These were given to the team members and formed the basis of 7 days of selling, promotion and travel broken only by Sunday off in Curacao.

The first working day in Curacao began at 7:30 a.m. with a post-breakfast briefing in the hotel dining room. Team members went over the Curacao contact list with Collins and Lee, deciding whom to see and when.

A Wisconsin pork products executive, for example, went first to a small supermarket, where he checked out products and prices in the meat cases to get an idea of the retail meat situation. From there, he called on an agent who wanted to take on a frozen meat line. Later, he visited his company's Curacao agent and talked with Dutch Antilles Airline officials about using his products for their meal service.

Meanwhile, Collins took two team members who were new to the market to see a leading importer. A New York beef purveyor spent the day renewing business contacts of several years standing. A Georgia poultry salesman stayed at the hotel to meet a buyer.

The American Egg Board's representative stopped at a supermarket, spent an hour talking with Curacao's leading egg producer, checked with the Ministry of Agriculture, and concluded by day's end that Government regulations, heavily influenced by the producers, just about locked out of egg imports.

The team was back together at 7 p.m. for the reception at the hotel, hosted by Lee and attended by 15 island businessmen.

It was a social occasion with business overtones; Jersey sold his vegetables; a cheese salesman brought

For more information on sales teams, exhibits, and other overseas promotional activities, contact Export Trade Services Division, FAS-USDA, Washington, D.C. 20250. Telephone: (202) 447-6343.

samples down from his room at the request of an importer guest; and many appointments were made for the next day.

The second day was devoted to these and other appointments and to calls missed on the first day, and then it was on to Aruba, a 20-minute plane ride after a 2-hour wait in the airport.

The Aruba schedule was more of the same—with one exception: team members were guests of the Chamber of Commerce and Industry of Aruba at a breakfast the morning after the U.S. reception for the Arubans.

"We're glad to see a group like yours," the team was told by breakfast speaker E.F. Mansur, a trading company manager. "We foster trade, and we feel this is the time when trade with the United States can be expanded. The United States is becoming more competitive in our market, and there is an opportunity for growth."

The meeting ended with nouncement by Collins that Tourist Bureau and an ana presentation by the Aruba FAS would sponsor a solo food exhibit in Aruba next May.

Then the U.S. team went out again to try to write more orders and appoint more agents before leaving for home the next day. □

Counterclockwise from left: Stanley C. Jersey (center), Skokie, Ill., export saleman, talks with importer Kit Wong (left); working day begins with briefing by team leader Edward C. Collins (top center) at hotel's terrace restaurant; Alan P. Jones Jr., Fort Atkinson, Wis., shows pork products to prospective agent; Anne L. Vercler, agri-sales manager for a Bloomington, Ill., export firm, and Collins wait for taxi to the airport—next stop Aruba.

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FAO's Far East Regional Conference Focuses on Rural Poor in Asia and Far East

The 14th Food and Agriculture Organization (FOA) Regional Conference for Asia and the Far East centered on the need to improve the living standard of Asia's rural poor, who comprise about three-fourths of the world's 550 million poorest people in developing countries.

To this end, several countries represented at the Conference agreed to establish a Center on Integrated Rural Development for Asia and the Pacific (CIRDAP), to be located in Bangladesh. Participants also discussed the need for agrarian reform and the serious problems of post-harvest losses in Asian agriculture as well as reviewing FAO programs and progress since the 1976 Manila Conference on hunger.

Programs focusing on the problems of the rural poor at the village level reflect a recent FOA thrust to decentralize its activities by channeling resources directly to projects at the village level instead of dictating programs from Rome or the Asian regional headquarters in Bangkok.

A strong spirit of cooperation marked the 2-week Conference (July 25-August 3), held in Kuala Lumpur and attended by participants from 22 member countries, including the United States, and numerous observing countries and international organizations. Mongolia and Democratic Kampuchea (Cambodia) were not represented.

FAO regional conferences, conducted every other year, are designed to facilitate communication among members of the region and between FAO's Director-General and officials concerned with food and agricultural issues in the region.

The United States participates as a voting member in the Far East conference because of its territories in the South Pacific: Guam, American Samoa, and the Trust Territory of the Pacific Islands.

Being on the geographical edge of the Far East region, U.S. participation is relatively low key. Nonetheless, the United States has important economic and political interests in Asia and is the largest financial contributor to FAO.

Delegates were optimistic about recent agricultural performance in the region and the prospects for reducing rural poverty. Wide differences in economic well-being and political philosophy among the countries at the Conference did not distract from the discussion. The more developed countries—Australia, France, Japan, New Zealand, and the United States—focused primarily on what each is doing to promote agricultural development in the region through various bilateral and multilateral assistance programs.

The first week of the talks was devoted to a Technical Committee Meeting providing delegates the opportunity to discuss significant food and agricultural policy issues in the Asian and Pacific areas. Delegations were highly supportive of all FAO agenda items, resulting in little debate on substantive issues presented.

During the Conference, nine member countries agreed on the establishment of CIRDAP as a link to assist national institutions in their integrated rural development programs. With many of the operational aspects of the Center still undecided, these countries participated in the formal signing.

Agrarian reform was discussed in preparation for the World Conference on Agrarian Reform and Rural Development next July in Rome. Delegations agreed that a successful strategy directed toward improving the living standard of the Asia's rural poor must include agrarian reform and integrated development.

A paper disseminated by the U.S. delegation pointed out that shifting foreign sources of investment and aid in favor of the rural poor "is not likely to be very effective unless domestic policies are oriented in the same direction."

Also, delegations agreed that post-harvest losses (PHL) are serious throughout Asia and that measures to limit such losses may be less costly than efforts to expand production. A resolution was passed at the Plenary Session requesting that FAO's involvement in PHL continue to expand and that FAO "coordinate its efforts under the PHL Fund, the Food Security Assistance Scheme, and the Technical Cooperation Program."—*By E. Wayne Denney, ESCS.* □